



**Auditor of State
Betty Montgomery**

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Jefferson Township
Noble County
37890 TR 282
Dexter City, Ohio 45727

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Noble County, Ohio, (the Township) as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In 2001, the Township improperly posted levy monies due to the Road and Bridge Fund, a Special Revenue Fund type, in the amount of \$1,256, and due the General Fund, in the amount of \$196 to the Gasoline Tax Fund, a Special Revenue Fund type, in the amount of \$1,452. Also in 2001, Gasoline Tax monies were incorrectly posted to the Motor Vehicle License Tax Fund, a Special Revenue Fund type, in the amount of \$5,456 instead of to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$5,456. In 2001, Motor Vehicle License Tax monies due to the Motor Vehicle License Tax Fund, in the amount of \$5,847 were incorrectly posted to the Gasoline Tax Fund, a Special Revenue Fund type, in the amount of \$5,140 and the Permissive Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$707. Also during 2001, the Township illegally advanced, without legislative approval, \$1,000 to the General Fund from the Gasoline Tax Fund, Special Revenue Fund type. In 2001, the portion of Trustees' salaries due to be paid from the General Fund, in the amount of \$1,038 were paid from the Motor Vehicle License Tax Fund, a Special Revenue Fund type, in the amount of \$311 and from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$727. In 2001, the employer's portion of the Clerk's retirement due to be paid from the General Fund, in the amount of \$1,140 was paid from the Motor Vehicle License Tax Fund, Special Revenue Fund, in the amount of \$380 and from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$760. Had these posting errors been properly posted to the Township's accounting system, the 2001 General Fund receipts would have been decreased by \$804, the 2001 disbursements would have been increased by \$2,178 and the December 31, 2001 cash balance of the General Fund would have been decreased by \$2,982. The 2001 Special Revenue Fund type receipts would have been increased by \$804, the 2001 disbursements would have been decreased by \$2,178 and the December 31, 2001 cash balance of the Special Revenue Fund type would have been increased by \$2,982.

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In 2002, the Township improperly charged mowing expenditures to the Motor Vehicle License Tax Fund, in the amount of \$400 and to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$100, and due the Cemetery Fund, in the amount of \$500. In 2002, the portion of Trustees' salaries due to be paid from the General Fund, in the amount of \$1,350 were paid from the Motor Vehicle License Tax Fund, a Special Revenue Fund type, in the amount of \$405 and from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$945. In 2002, the employer's portion of the Clerk's retirement due to be paid from the General Fund, in the amount of \$839 was paid from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$839. Also, in 2002, the Township improperly posted levy monies due to the Road and Bridge Fund, a Special Revenue Fund type, in the amount of \$47 to the General Fund in the amount of \$47. Had these posting errors been properly posted to the Township's accounting system, the 2002 General Fund disbursements would have been increased by \$2,189, the revenues would have been decreased by \$47 and the December 31, 2002 cash balance of the General Fund would have been decreased by a cumulative \$5,218. The 2002 Special Revenue Fund disbursements would have been decreased by \$2,236 and the December 31, 2002 cash balance of the Special Revenue Fund would have been increased by a cumulative \$5,218.

In our opinion, because of the effect of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with the basis of accounting prescribed in Note 1, the combined fund cash balances and reserves for encumbrances of Jefferson Township, Noble County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

October 20, 2003

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Governmental Fund Types		Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Agency	
Cash Receipts:				
Local Taxes	\$1,861	\$4,781	\$	\$6,642
Intergovernmental	6,972	62,770		69,742
Other Revenue	93	1,091		1,184
Total Cash Receipts	8,926	68,642	0	77,568
Cash Disbursements:				
Current:				
General Government	7,653			7,653
Public Works		54,691		54,691
Health		400		400
Other		6,935		6,935
Debt Service:				
Redemption of Principal		4,402		4,402
Interest and Fiscal Charges		598		598
Total Cash Disbursements	7,653	67,026	0	74,679
Total Cash Receipts Over/(Under) Cash Disbursements	1,273	1,616	0	2,889
Other Financing Receipts/(Disbursements):				
Other Sources		317		317
Total Other Financing Receipts/(Disbursements)	0	317	0	317
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,273	1,933	0	3,206
Fund Cash Balances, January 1	153	1,870	5,500	7,523
Fund Cash Balances, December 31	\$1,426	\$3,803	\$5,500	\$10,729
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0

The notes to the financial statements are an integral part of this statement.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
Cash Receipts:				
Local Taxes	\$1,130	\$2,891	\$	\$4,021
Intergovernmental	8,184	64,294		72,478
Other Revenue		2,062		2,062
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	9,314	69,247		78,561
Cash Disbursements:				
Current:				
General Government	13,307			13,307
Public Safety	599			599
Public Works	519	69,354		69,873
Health		418		418
Miscellaneous		9,485		9,485
Debt Service:				
Redemption of Principal		4,169		4,169
Interest and Fiscal Charges		831		831
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	14,425	84,257	0	98,682
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(5,111)	(15,010)	0	(20,121)
Other Financing Receipts/(Disbursements):				
Proceeds of Bonds				
Advances-In	1,000			1,000
Advances-Out		(1,000)		(1,000)
Other Sources	224	2,685	5,500	8,409
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	1,224	1,685	5,500	8,409
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(3,887)	(13,325)	5,500	(11,712)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	4,040	15,195	0	19,235
Fund Cash Balances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$153	\$1,870	\$5,500	\$7,523
Reserve for Encumbrances, December 31	<hr/>	<hr/>	<hr/>	<hr/>
	\$157	\$729	\$0	\$886

The notes to the financial statements are an integral part of this statement.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Jefferson Township, Noble County (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees and a publicly-elected Clerk. The Township provides road and bridge maintenance (public works), cemetery maintenance (health), and fire protection. The Township contracts with Salem Township and Caldwell Volunteer Fire Department to provide fire services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund - This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Fiduciary Funds

These funds are used to account for resources restricted by legal binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant Fiduciary Fund:

Oil Bonds Fund - The Township received bond money from oil companies who were using Township roads.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

	2002	2001
Demand deposits	\$10,729	\$7,523

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,615	\$8,926	\$311
Special Revenue	65,800	68,959	3,159
Fiduciary	0	0	0
Total	\$74,415	\$77,885	\$3,470

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$8,925	\$7,653	\$1,272
Special Revenue	68,399	67,026	1,373
Fiduciary	0	0	0
Total	\$77,324	\$74,679	\$2,645

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,799	\$9,538	\$739
Special Revenue	71,408	71,932	524
Fiduciary	0	5,500	5,500
Total	\$80,207	\$86,970	\$6,763

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,479	\$14,582	(\$1,103)
Special Revenue	87,036	84,986	2,050
Fiduciary	0	0	0
Total	\$100,515	\$99,568	\$947

The Township did not obtain prior certification before incurring obligations, contrary to Ohio Rev. Code Section 5705.41(D).

The Township paid improper expenditures from the Gasoline Tax Fund and the Motor Vehicle License Tax Fund, restricted funds, contrary to Ohio Rev. Code Section 5705.10.

The Township had expenditures which exceeded appropriations in the General Fund in 2001, contrary to Ohio Rev. Code Section 5705.41(B).

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

6. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Business Loan - Truck	\$5,469	6.00%

The business loan was issued to finance the purchase of a truck to be used for Township road maintenance. The loan is secured by pledging the truck as collateral.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest of \$335, is scheduled as follows:

	<u>Business Loan</u>
Year ending December 31:	
2003	<u>\$5,804</u>
Total	<u><u>\$5,804</u></u>

7. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

8. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. RISK MANAGEMENT (Continued)

Risk Pool Membership (Continued)

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	<u>(9,197,512)</u>	<u>(9,379,003)</u>
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	<u>(1,204,326)</u>	<u>(647,667)</u>
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Jefferson Township
Noble County
37890 TR 282
Dexter City, Ohio 45727

To the Board of Trustees:

We have audited the accompanying financial statements of Jefferson Township, Noble County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated October 20, 2003, wherein we opined the financial statements were not fairly presented since the Township declined to adjust its financial statements or accounting records for improper posting of receipts to the appropriate fund, illegal advance of monies, and improper disbursement of monies in a restricted fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 through 2002-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated October 20, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-007.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated October 20, 2003.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 20, 2003

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to the basic requirement are provided by statute:

- A. Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time of the order or contract and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
- B. Amounts of less than \$1,000 (which was increased to \$3,000 on April 7, 2003) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

All the obligations paid by the Township had a statement attached indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, free from any previous encumbrance; however, this certification was dated subsequent to incurring the obligation for 48% of transactions tested.

We recommend the Clerk monitor the use of purchase orders more carefully to help ensure expenditures are certified as to the availability of funds prior to incurring the obligation.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) requires no subdivision or taxing authority expend money unless it has been appropriated.

The General fund had expenditures which exceeded approved appropriations in the amount of \$1,103 during 2001.

We recommend the Clerk deny payment request exceeding appropriations. The Clerk may request the Board to approve increased expenditures levels by increasing appropriations and estimated resources, if necessary.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-003

Finding for Adjustment

Ohio Rev. Code Section 505.24 states that the Township Trustees shall be paid from the general fund or from such other Township funds in such proportions as the board may specify by resolution. The salary resolution must allocate the salary distribution from various funds in the same proportion as the Trustees' service bears to the activities supported by such funds, as determined by the Board.

During 2001, one month's salary for one Trustee was paid from the General Fund, which amounted to 8.3% of his total year's salary, all other Trustee salary payments were made from the Gasoline Tax and Motor Vehicle License Tax Funds. During 2002, the salaries of the Trustees were charged entirely to the Gasoline Tax Fund and Motor Vehicle License Tax Fund. A resolution had not been adopted by the Board specifying how Trustee salaries would be allocated. However, activities of an administrative nature, such as monthly meetings should be charged to the General Fund.

The Township paid two of the Trustee's salary during 2001 due to be paid from the General Fund from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$727 and from the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$311. During 2002, the Trustees' salary amount due to be paid from the General Fund, was paid entirely from the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$945 and from the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$405.

A finding for adjustment is hereby issued against the General Fund of Jefferson Township, Noble County, in the amount of \$2,388, in favor of the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,672 and in favor of the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$716. The Township has not posted this adjustment to its accounting system or financial statements.

FINDING NUMBER 2002-004

Finding for Adjustment

Ohio Rev. Code Section 5735.27(A)(5) requires the funds received from the gasoline excise tax shall be expended by each township to plan, construct, maintain, widen, and reconstruct the public roads and highways within such township. Ohio Rev. Code Section 4503.02 requires the funds received from an annual license tax shall be used for planning, constructing, maintaining, and repairing roads, highways, and streets; maintaining and repairing bridges and viaducts. In addition Article XII, Section 5a, of the Ohio Constitution states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of vehicles on public highway, or to fuels used for propelling such vehicles, shall be expended for other than costs of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposes, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

The Township paid check number 8066, dated June 24, 2002, in the amount of \$600 to Valleyscapes for cemetery mowing. The Township charged the Gasoline Tax Fund, Special Revenue Fund type, \$100 and the Motor Vehicle License Tax Fund, Special Revenue Fund type, \$400 for cemetery mowing services. However, these expenditures did not pertain to the Township public highways, roads and streets.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002-004 (Continued)

Finding for Adjustment (Continued)

Ohio Rev. Code Sections 5735.27(A)(5) and 4503.02 (Continued)

The Township Clerk's employer share of PERS due to be paid from the General Fund was paid in 2001 from the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$380 and the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$760 and for 2002 the Clerk's employer share of PERS due to be paid from the General Fund was paid from the Gasoline Tax, Special Revenue Fund type, in the amount of \$839.

A finding for adjustment is hereby issued against the Cemetery Fund, Special Revenue Fund type of Jefferson Township, Noble County, in the amount of \$500, in favor of the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$100, and in favor of the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$400. In addition, a finding for adjustment is hereby issued against the General Fund, in the amount of \$1,979, in favor of the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,599 and in favor of the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$380. The Township has not posted this adjustment to its accounting records or financial statements.

FINDING NUMBER 2002-005

Finding for Adjustment

Ohio Rev. Code Section 5705.10 states that all revenue derived from a special levy is to credited to a special fund for the purpose for which the levy was made. In addition, all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

During 2001, levy monies were incorrectly posted to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$1,452 instead of to the General Fund, in the amount of \$196 and the Road and Bridge Fund, Special Revenue Fund type, in the amount of \$1,256.

During 2001, gasoline excise tax monies were incorrectly posted to the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$5,456 instead of to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$5,456.

During 2001, motor vehicle license tax monies were incorrectly posted to the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$5,140, and to the Permissive Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$707 instead of to the Motor Vehicle License Tax Fund, Special Revenue Fund type, in the amount of \$5,847.

During 2002, levy monies were incorrectly posted to the General Fund, in the amount of \$47 instead of to the Road and Bridge Fund, Special Revenue Fund type, in the amount of \$47.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**
**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2002-005 (Continued)

Finding for Adjustment (Continued)

Ohio Rev. Code Section 5705.10 (Continued)

A finding for adjustment is hereby issued against the Gasoline Tax Fund, Special Revenue Fund type of Jefferson Township, Noble County, in the amount of \$1,452, in favor of the General Fund, in the amount of \$196, and in favor of the Road and Bridge Fund, a Special Revenue Fund type, in the amount of \$1,256. In addition a finding for adjustment is hereby issued against the Motor Vehicle License Tax Fund, a Special Revenue Fund type, in the amount of \$5,456, in favor of the Gasoline Tax Fund, a Special Revenue Fund type, in the amount of \$5,456. In addition a finding for adjustment is hereby issued against the Permissive Motor Vehicle License Tax Fund, a Special Revenue Fund type, in the amount of \$707, and against the Gasoline Tax Fund, Special Revenue Fund type, in the amount of \$5,140 and in favor of the Motor Vehicle License Tax Fund, a Special Revenue Fund type, in the amount of \$5,847. These adjustments have not been recorded on the books of the Township or the financial statements.

FINDING NUMBER 2002-006

Finding for Adjustment

Auditor of State Bulletin 97-003 states that in order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established. Ohio Rev. Code Section 5705.10 restricts the purpose for which funds may be used. In addition Article XII, Section 5a, of the Ohio Constitution states that no monies derived from fees, excises, or license taxes relating to registration, operation, or use of public vehicles on public highway, or to fuels used for propelling such vehicles, shall be expended for other than consists of administering such laws, statutory refunds and adjustments provided therein, payment of highway obligations, costs for construction, reconstruction, maintenance and repair of public highways and bridges and other statutory highway purposed, expense of state enforcement of traffic laws, and expenditures authorized for hospitalization of indigent persons injured in motor vehicle accidents on the public highways.

During 2001, the Township advanced \$1,000 from the Gasoline Tax Fund, Special Revenue Fund type, to the General Fund.

A finding for adjustment is hereby issued against the Gasoline Tax Fund, Special Revenue Fund type, of Jefferson Township, Noble County, in the amount of \$1,000 and in favor of the General Fund, in the amount of \$1,000. This adjustment has not been recorded on the books of the Township or the financial statements.

**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2002-007

Material Weakness

The Township did not consistently post revenue and expenditure transactions to the proper fund and/or line account within their accounting system.

As a result, revenue and expenditure transactions in various funds were incorrectly reported. We amended our letter of arrangement and charged the Township an additional \$1,000 to determine the reasonableness and accuracy of posting of receipts and disbursements.

We recommend the Clerk use due care in posting amounts to the Township ledgers and consult the UAN Accounting Manual for Townships, Appendix A, Chart of Accounts, revised April 2002 for proper classification of revenues and expenditures.

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**JEFFERSON TOWNSHIP
NOBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-41061-001	Finding for Adjustment	Yes	
2000-41061-002	Ohio Revised Code § 5705.41(D)	No	Not corrected. Repeated as Finding 2002-001 in the Schedule of Findings.



**Auditor of State
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JEFFERSON TOWNSHIP

NOBLE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 25, 2003**